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SIPDIS

SENSITIVE BUT UNCLASSIFIED
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TAGS: ECON ETRD ZI SF
SUBJECT: SOUTH AFRICA/ZIMBABWE TRADE HOLDING STEADY

¶1. (U) Summary. Despite the economic turmoil in Zimbabwe, trade between South Africa and Zimbabwe remains steady making the SA/Zimbabwe trade partnership the largest in the Southern African Development Community (SADC). Other African countries are beginning to close the gap as SA reaches out to new export markets, but Zimbabwe still has a wide margin as the number one importer of SA goods. Exports in petroleum, machinery, and vehicles, and imports of platinum and nickel have kept trade relations strong. End Summary.

STRONG TRADE RELATIONS

¶2. (U) Despite its economic turmoil, Zimbabwe continues to maintain its position as SA's number one trading partner in the SADC region, with 7.4 billion rand (1.05 billion USD) in SA exports and 4.6 billion rand (657 million USD) in imports from Zimbabwe during 2006. Trade between the countries has remained steady with SA exports dropping by only 1 percent since 2005 and imports from Zimbabwe booming with a 32 percent increase. Trade is favorable to SA, which had a trade account surplus of 2.78 billion rand with Zimbabwe in **¶2006**. Zimbabwe has kept the lead as SA's largest regional trade partner, but Zambia and Mozambique are closing the gap. Zambia inched ahead as SA's top regional export market in 2006, with Mozambique not too far behind. Meanwhile, Zimbabwe remained by a wide margin SA's number one regional source of imports in the same year. The following chart indicates the steadiness of trade between the two countries (figures in million rand).

SA/Zimbabwe Trade

	Through Jun 2007	2006	2005	2004
SA Exports	3,959	7,411	7,486	6,182
SA Imports	3,349	4,633	3,132	2,796
Trade Balance	610	2,778	4,354	3,386

¶3. (U) South Africa's historical trade relations with Zimbabwe and SA's fuel refinery capacity have helped to maintain its export market with Zimbabwe. At the same time, SA's platinum processing plant and high commodity prices has underpinned the growth in imports from Zimbabwe. SA's top three exports to Zimbabwe include petroleum, machinery and vehicles. Imports are centered on platinum and nickel.

	Through Jun 2007	2006	2005	2004
SA Exports	668	1,389	1,087	1,448
Petroleum	678	1,191	1,049	962
Machinery	633	670	443	417

	Through Jun 2007	2006	2005	2004
SA Imports				

Base Metals	1,915	2,188	602	317
Minerals	866	1,238	1,517	1,262

SHIFT IN TRADED GOODS

¶4. (SBU) Despite these steady figures, the nature of trade has shifted as Zimbabwe's economy has declined. Zimbabwe's agricultural exports, except for tobacco, have imploded. According to SAIIA economic analyst Diana Games, Zimbabwe exported 300,000 tons of agricultural goods (80 percent maize) to SA in 1997, but only tobacco in 2005, which was down from 250 million kilos in 1997 to 60 to 70 kilos in ¶2005. SA's import numbers have continued to grow, however, as SA imports shifted from agricultural products to ores, including platinum and nickel. High commodity prices helped to further increase these import figures.

¶5. (U) Exports from SA to Zimbabwe have also changed as Zimbabwe's need for manufactured products grew with slow downs in local production. Vehicle and machinery sales have expanded 38 percent and 19 percent, respectively, since 2004.

The export of these products continues to climb; the level of vehicle exports as of June 2007 was almost equal to the traded amount for the entire year of 2006.

¶6. (U) Media reports indicate that informal trade, which is not captured in the above statistics, is also growing rapidly as shortages in Zimbabwe become more severe. Zimbabwean buyers have streamed into SA border towns to purchase products such as bulk groceries, furniture and "luxury goods," such as olive oil, olives and tuna, needed by Zimbabwean hotels and lodges.

Teitelbaum